

Message Text

LIMITED OFFICIAL USE

PAGE 01 LIMA 07853 01 OF 02 312101Z

70

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 DHA-02 /076 W

----- 057767

R 311820Z AUG 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1581

LIMITED OFFICIAL USE SECTION 1 OF 2 LIMA 7853

E.O. 11652: N/A

TAGS: EGEN, PFOR, PE

SUBJECT: SOCIAL PROPERTY-CHANGE IN LEADERSHIP MAY MEAN
CHANGE IN EMPHASIS

REF: LIMA 6898, LIMA 6773

1. SUMMARY: THE GOP HAS REPLACED THE CIVILIAN HEAD OF ITS EXPERIMENTAL SOCIAL PROPERTY SECTOR, ANGEL DE LAS CASAS, WITH GENERAL HELIO CESAR ROSAS CRESTO. THE GOP HAS APPARENTLY DECIDED TO DE-EMPHASIZE THE ROLE OF SOCIAL PROPERTY IN PERUVIAN ECONOMY AND CHANGE OF PERSONNEL SEEMS DESIGNED TO GIVE GOP CLOSER REINS OVER SOCIAL PROPERTY BUREAUCRACY. BIO DATA ON ROSAS CRESTO IS PROVIDED. END SUMMARY.

2. ALMOST CONCURRENTLY WITH THE RESIGNATION OF JORGE FERNANDEZ MALDONADO AS PRIME MINISTER, ANGEL DE LAS CASAS, CHIEF OF THE NATIONAL SYSTEM FOR THE DEVELOPMENT OF SOCIAL PROPERTY (SINADEPS) AND CHAIRMAN OF THE NATIONAL SOCIAL PROPERTY COMMISSIONN (CONAPS), ALSO SUBMITTED HIS RESIGNATION. DE LAS CASAS' REPLACEMENT IS BRIDADIER GENERAL HELIO CESAR ROSAS CRESTO WHOSE MOST RECENT POSITION WAS CHIEF OF THE NATIONAL PUBLIC ADMINISTRATION INSTITUTE.

3. IT IS APPARENT FROM REMARKS BY BOTH ROSAS CRESTO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 07853 01 OF 02 312101Z

AND PERUVIAN PRESIDENT MORALES BERMUNDEZ THAT THE CHANGE

IN LEADERSHIP OF THE SOCIAL PROPERTY SECTOR PRESAGES BASIC CHANGES IN SOCIAL PROPERTY'S ROLE WITHIN THE PERUVIAN ECONOMY. THE FIRST INDICATION OF THIS CHANGE CAME IN ROSAS CRESTO'S REMARKS TO SINADEPS OFFICIALS AT HIS SWEARING-IN CEREMONY WHEN, ACCORDING TO PRESS ACCOUNTS, HE SAID THAT HIS FIRST ACT "WILL BE TO EVALUATE EVERYTHING DONE TO DATE BY AND IN THE SOCIAL PROPERTY SECTOR SINCE ITS REATION TO DETERMINE IF WE ARE ACHIEVING THE GOALS WHICH WE GAVE TO OURSELVES AND IF WE ARE DEVELOPING THE MODEL WHICH WE ESTABLISHED." THE PRESIDENT CONFIRMED DURING HIS JULY 28 INDEPENDENCE DAY ADDRESS THAT A RE-EVALUATION AND RE-DIRECTOR OF SOCIAL PROPERTY WERE IN PROGRESS (LIMA 6898). MORALES BERMUDEZ STATED THAT THE STRUCTURE OF THE SECTOR WAS BEING REVISED IN ORDER TO MAKE THE SOCIAL PROPERTY FIRM TRULY A FIRM "OF THE WORKERS IN SUCH A WAY THAT EACH ENTERPRISE WILL BE AN AUTONOMOUS PRODUCTION UNIT, CREATING A PERMANENT STIMULUS TO THE WORKERS SO THAT THEIR PARTICIPATION IN MANAGMENT (GESTION) AND SUCCESS IS NOT REDUCED TO A SIMPLE NEGATIVE PATERNALISM". MOREOVER, THE PRESIDENT INDICATED THAT IN THE FUTURE GOP WOULD ENCOURAGE SOCIAL PROPERTY TO DIRECT ITS EFFORTS PRIMARILY TOWARD RURAL, LABOR INTENSIVE ACTIVITIES.

4. THE PRESIDENT'S REMARKS IN PART SEEM TO BE AN ACKNOWLEDGMENT OF THE GOVERNMENT'S MAJOR ROLE IN THE SOCIAL PROPERTY SECTOR'S DEVELOPMENT UNTIL NOW AND A SIGNAL THAT THE GOVERNMENT INTENDS TO TAKE A LESS ACTIVE ROLE IN PUSHING THE CONCEPT IN THE FUTURE. THIS STEP SEEMS TO BE THE GOVERNMENT'S RESPONSE TO PRIVATE SECTOR COMPLAINTS AGAINST THE GOVERNMENT'S INFLUENCE IN DIRECTING AND ENCOURAGING SOCIAL PROPERTY ENTERPRISES TO ENTER INTO COMPETITION WITH PROFITABLE ESTABLISHED PRIVATE COMPANIES. PERHAPS EVEN MORE WORRISOME TO THE PRIVATE SECTOR THAN THE GOP'S ACTIONS WAS THE GOVERNMENT'S RHETORIC DURING THE FIRST TWO YEARS OF THE SOCIAL PROPERTY SECTOR'S EXISTENCE. DURING THIS TIME GOVERNMENT SPOKESMEN CONTINUALLY INSISTED THAT SOCIAL PROPERTY WAS TO BE THE ECONOMY'S PRIORITY SECTOR. GENERAL GABRIEL VALDES PALACIO, THE HEAD OF EX-PRIME MINISTER FERNANDEZ MALDONADO'S ADVISORY COUNCIL AND A PRINCIPAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 07853 01 OF 02 312101Z

PATRON OF SOCIAL PROPERTY CHIEF DE LAS CASAS, WAS ALLEGED TO HAVE SAID THAT SOCIAL PROPERTY WAS TO BE "HEGEMONIC." MANY BUSINESSMEN INFERRED FROM THESE COMMENTS COMING FROM PEOPLE CLOSE TO THE TOP THAT THE GOVERNMENT INTENDED AT THE LEAST TO LET THE PRIVATE SECTOR WITHER WHILE ENCOURAGING SOCIAL PROPERTY. MOREOVER, THE PRIVATE SECTOR'S EXPERIENCE WITH THE "INDUSTRIAL COMMUNITY" AND "LABOR STABILITY" CONCEPTS

LED IT TO INTERPRET THE GOP'S STATEMENTS ABOUT SOCIAL PROPERTY AS PROOF THAT THERE WAS VERY LITTLE PLACE FOR THE PRIVATE SECTOR WITHIN THE PERUVIAN REVOLUTION.

5. THE REALITY OF SOCIAL PROPERTY REINFORCED THIS CONCLUSION. FROM MAY 2, 1974, WHEN THE SOCIAL PROPERTY SECTOR WAS CREATED UNTIL JUNE 1, 1976, OVER 56 SOCIAL PROPERTY ENTERPRISES WERE FORMED (ONLY THREE, HOWEVER, WERE FULLY OPERATIVE). OF THESE, MOST WERE IN ACTIVITIES THAT PUT THEM INTO DIRECT COMPETITION WITH ESTABLISHED PRIVATE COMPANIES. IN MOST CASES, THERE WAS NO NATURAL DEMAND FOR THE ACTIVITIES OF THE SOCIAL PROPERTY FIRMS; THE ENTERPRISES WERE ESTABLISHED AND HAVE SURVIVED ONLY WITH THE ACTIVE SUPPORT OF THE GOVERNMENT. (IT IS NOTEWORTHY THAT IN A RECENT PRESS CONFERENCE THE NEW SOCIAL PROPERTY HEAD DECLINED TO ANSWER WHETHER THERE WERE ANY SOCIAL PROPERTY COMPANIES MAKING A "PROFIT.") THE DISTINCTION BETWEEN SUPPORT FOR SOCIAL PROPERTY FIRMS AND DISCRIMINATION AGAINST PRIVATE COMPANIES BECAME MORE AND MORE DIFFICULT TO DEFINE IN THE BUSINESSMAN'S MIND. FOR EXAMPLE, AT LEAST ONE SOCIAL PROPERTY ENTERPRISE WAS AWARDED A CONTRACT FROM A PERUVIAN MINISTRY WITHOUT HAVING TO COMPETE WITH OTHER BIDDERS. IN ADDITION, THERE IS A CASE WHERE INDIVIDUALS CLOSE TO THE GOVERNMENT WERE FOUNDERS OF A SOCIAL PROPERTY ENTERPRISE, APPARENTLY SECURE IN KNOWING THAT THEIR BUSINESS WOULD BENEFIT FROM THE GOP'S HELPING HAND IN THE SOCIAL PROPERTY SECTOR.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LIMA 07853 02 OF 02 312128Z

70

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 DHA-02 /076 W

----- 058092

R 311820Z AUG 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1582

LIMITED OFFICIAL USE SECTION 2 OF 2 LIMA 7853

6. THE GOP'S ANNOUNCED POLICY TO MAKE SOCIAL PROPERTY THE PRIORITY SECTOR PLUS THE UNPROFITABLE CLIMATE FOR PRIVATE BUSINESS WHICH DEVELOPED UNDER THE REVOLUTIONARY ARMED FORCES GOVERNMENT LED TO A WAR OF WORDS BETWEEN THE TWO SECTORS WHICH BECAME SHARPER AND MORE PUBLIC IN RECENT MONTHS. THIS CONFLICT WAS UNDOUBTEDLY ONE OF THE ELEMENTS IN THE GOVERNMENT'S INTERNAL DISCUSSIONS OVER THE PLAN TUPAC AMARU, AND IN CONTRIBUTED TO THE POLITICAL CONTROVERSY WHICH ULTIMATELY LED TO THE RECENT CHANGES WITHIN THE GOP.

7. EVEN PRIOR TO THE GOVERNMENTAL CHANGES, THE GOP HAD INDICATED ITS CONCERN OVER THE INCREASING STRIDENT DIALOGUE WHICH WAS DEVELOPING BETWEEN PROPONENTS OF SOCIAL PROPERTY AND SUPPORTERS OF THE PRIVATE SECTOR. IN HIS MARCH 31 SPEECH, MORALES BERMUDEZ EMPHASIZED THAT THESE TWO SECTORS (ALONG WITH THE STATE AND SMALL BUSINESS SECTORS) COULD CO-EXIST PEACEFULLY. HE REPEATED THIS POINT IN HIS JULY 28 SPEECH. ROSAS CRESTO WENT EVEN FURTHER IN HIS INVESTITURE STATEMENT, CHARACTERIZING AS "ENEMIES OF THE PERUVIAN REVOLUTION" THOSE INDIVIDUALS WHO "CONSCIOUSLY OR UNCONSCIOUSLY HAVE FOSTERED A CONFRONTATION BETWEEN THE REFORMED PRIVATE SECTOR AND THAT OF SOCIAL PROPERTY, AS IF THEY WERE ANTAGONISTIC, FORGETTING THAT THESE TWO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 07853 02 OF 02 312128Z

FORMS OF PROPERTY CAN AND SHOULD CO-EXIST. (LIMA 6773) ACCORDING TO ROSAS, THESE INDIVIDUALS "GO AGAINST OR DO NOT WANT TO RECOGNIZE ONE OF THE FUNDAMENTAL CHARACTERISTICS OF OUR REVOLUTION -- PLURALISM." THIS DESCRIPTION CAN BE AND HAS BEEN INTERPRETED AS CRITICISM OF DE LAS CASAS AND OTHER PROPONENTS OF SOCIAL PROPERTY. IT HAS ALSO BEEN INTERPRETED BY MOST OBSERVERS, ESPECIALLY FROM THE BUSINESS COMMUNITY, AS ONE SIGN OF AN END TO GOVERNMENT HOSTILITY TO THE PRIVATE SECTOR.

8. THE CHANGE IN EMPHASIS ON SOCIAL PROPERTY IS NOWHERE MORE EVIDENT THAN IN THE GOP-CONTROLLED PRESS. WHEREAS BEFORE THE JULY 16 CHANGES, HARDLY A DAY WENT BY WITHOUT AN ARTICLE ANNOUNCING A NEW TRIUMPH BY A SOCIAL PROPERTY ENTERPRISE, SINCE THAT DATE THE NEWSPAPERS HAVE HAD VERY FEW ARTICLES CONCERNING THE SECTOR. ONE OF THESE CONCERNED ROSAS CRESTO'S INAUGURATION REMARKS. THE MOST RECENT ONE CONCERNED A PRESS CONFERENCE HE GAVE AFTER ADDRESSING AN FAO MEETING IN PERU ON FORESTRY EMPLOYMENT IN LATIN AMERICA. ACCORDING TO PRESS REPORTS, ROSAS

CRESTO REPEATED THE PRESIDENT'S JULY 28 INDICATIONS THAT SOCIAL PROPERTY WOULD BE DIRECTED TO RURAL PROJECTS. HE STATED THAT SOCIAL PROPERTY COULD MAKE A USEFUL CONTRIBUTION TO THE EXPLOITATION OF PERU'S JUNGLE AREA. MOREOVER, HE SAID THAT THE GOVERNMENT PLANNED TO CONSOLIDATE SOME OF THE EXISTING SOCIAL PROPERTY ENTERPRISES AND THAT IN SOME CASES THE GOVERNMENT HAD CHANGED THEIR BOARDS OF DIRECTORS. FROM HIS REMARKS AND THE LOW-KEY PRESS TREATMENT ACCORDED SOCIAL PROPERTY IN RECENT WEEKS, IT APPEARS THAT GENERAL ROSAS CRESTO HAS BEEN PUT IN CHARGE OF SOCIAL PROPERTY IN ORDER TO GIVE THE MILITARY GOVERNMENT CLOSER REIN OVER THE SECTOR THAN HAD BEEN THE CASE WHEN SINADEPS WAS HEADED BY THE CIVILIAN IDEOLOGUE DE LAS CASAS.

9. DAO FILES PROVIDE THE FOLLOWING BIOGRAPHIC DATA ON ROSAS CRESTO:

ROSAS CRESTO WAS BORN MARCH 9, 1926, IN AREQUIPA. HE ATTENDED HIGH SCHOOL IN LIMA AND GRADUATED FROM THE MILITARY ACADEMY IN CHORILLOS IN 1948. HE COMPLETED THE PERUVIAN ARMY'S BASIC ENGINEERING COURSE IN 1952. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 07853 02 OF 02 312128Z

FROM 1961 TO 1963 HE WAS A STUDENT AT THE PERUVIAN ESCUELA SUPERIOR DE GUERRA, DURING WHICH TIME (JULY 1963) HE MADE A TWO-WEEK ORIENTATION VISIT TO THE UNITED STATES. IN 1973 HE WAS A STUDENT AT THE CAEM, PERU'S EQUIVALENT TO THE U.S. NATIONAL WAR COLLEGE. HE VISITED THE U.S. FOR TWO WEEKS IN CONJUNCTION WITH HIS STUDIES AT THE CAEM. ROSAS CRESTO ALSO GRADUATED FROM THE 14TH CLASS OF THE INTER-AMERICAN DEFENSE COLLEGE IN WASHINGTON (JANUARY 1975). IN FEBRUARY 1976 ROSAS CRESTO WAS APPOINTED CHIEF OF THE INSTITUTO NACIONAL DE ADMINISTRACION PUBLICA. HE WAS PROMOTED TO THE RANK OF BRIGADIER GENERAL ON JANUARY 1, 1976.

ACCORDING TO BIOGRAPHIC INFORMATION COMPILED AT THE TIME OF HIS CAEM TRIP AND BASED ON LIMITED OBSERVATIONS, ROSAS CRESTO IS QUIET, SERIOUS NATURED, AND INTELLIGENT. HE HAS PROVEN EXECUTIVE AND MANAGERIAL ABILITY AND IS LOYAL TO THE MILITARY REVOLUTION. AT THE TIME OF THE COMPILATION OF THE INFORMATION, ROSAS CRESTO APPEARED MOST AT EASE DISCUSSING MILITARY ENGINEERING AND CIVIL WORKS PROJECTS. HE WAS VICE-PRESIDENT AND A KEY MAN IN THE OPERATION AND MANAGEMENT OF THE COMMISSION FOR REHABILITATION AND RECONSTRUCTION OF THE AFFECTED ZONE (CRYRZA - THE PREDECESSOR TO ORDEZA) --THE GOP ORGANIZATION CREATED TO ASSIST IN THE AREA AFFECTED BY THE 1970 EARTHQUAKE. HE WAS CONSIDERED WELL-INFORMED, COMPETENT, AND PROFESSIONAL. ROSAS CRESTO SPEAKS SOME

ENGLISH AND PORTUGUESE. APART FROM HIS TRIPS TO THE U.S.
HE HAS ALSO VISITED VENEZUELA, TRINIDAD AND TOBAGO,
CURACAO, ARUBA, AND BRAZIL. IN ADDITION, HE SPENT
ONE YEAR OF STUDY (1968) IN ARGENTINA. SMITH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PERSONNEL, GOVERNMENT MINISTRIES, PERSONNEL SEPARATIONS, PERSONNEL ASSIGNMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA07853
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760330-0979
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976084/aaaaacnv.tel
Line Count: 281
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LIMA 6898, 76 LIMA 6773
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by buchant0>; APPROVED <27 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOCIAL PROPERTY-CHANGE IN LEADERSHIP MAY MEAN CHANGE IN EMPHASIS
TAGS: EGEN, PFOR, PE, (ROSAS CRESTO, HELIO CESAR)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006